

## Investing for your children's future

### Rising Costs of Education

### RESPs vs. In Trust

### Young Investors Fund

#### Why you should start saving now...

The rising costs of higher education!

In the 1990's post-secondary tuition costs more than doubled, exceeding by far general inflation and the increase in family incomes. Depending on the program, three or four years at a typical university can cost anywhere from \$10,000 to \$20,000 in tuition alone. If a student lives away from home the price tag is significantly higher. The reasons for the escalating costs of education are:

- General inflation
- Fewer restrictions on how much universities can charge
- Government cutbacks

Yet, ironically the importance of getting a post-secondary education increases every year. **It is estimated that already, nearly seven out of ten jobs require a post-secondary education.** By the time today's children are ready for a post-secondary education the costs will be even higher.

### RESPs and the Canada Education Savings Grant (CESG)

An RESP (Registered Education Savings Plan) is generally a tool to help you save for your child's education.



- It is registered with the government and the earnings growth is tax sheltered within the plan, which is why it should be your first choice for an education savings plan.

- Currently, you can contribute up to \$4000 a year, per beneficiary. The lifetime maximum is \$42,000 over 21 years, per beneficiary and the accounts can be kept open for up to 25 years.

- Every RESP beneficiary under age 18 will be eligible to receive a grant of up to 20% of the first \$2,000 contributed each year (\$400 maximum per year).

An account can be held for anyone under 21 years of age, but we usually recommend that you start when they are quite young to allow for the benefit of maximum growth.

### What happens to the RESP if they don't go to school?

If for any reason your chosen beneficiary does not pursue higher education,

you can either name another beneficiary to the RESP plan or transfer any unused income to your (or your spouse's) RRSP. You can transfer up to a \$50,000 limit – in accordance with your RRSP contribution limits (client must be a Canadian Citizen and the RESP must have been in existence for at least ten years).

You can also choose to have the income refunded to you with an additional 20% tax applied on top of the marginal tax rate. Also, any CESG grant needs to be refunded to the government.

### Who can contribute?

Any person can set up and contribute to an Individual RESP Plan, including parents, grandparents, aunts, uncles and even friends. For family plans the contributor must be related by blood or adoption to the beneficiaries.

### Individual Plans vs. Family Plans

We generally recommend a family plan in most situations if you have more than one beneficiary. There is more flexibility with the contributions, it's also consolidated and there is no requirement that beneficiaries draw equally from the plan – however, caution should be exercised so that the older children do not use up all the savings leaving the younger child in a financial shortfall.

### RESP Withdrawals

Principal contributions can be withdrawn at any time, for any purpose,

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### 1 Year Total Return

1 Talvest Global Health Care . . . . .	49.4%
2 Fidelity Small Cap America . . . . .	45.6%
3 CI Global Energy Sector . . . . .	43.2%
4 AGF International Value . . . . .	32.2%
5 O'Shaughnessy US Value . . . . .	27.7%
6 Mac Cundill Value A . . . . .	26.6%
7 Mac Cundill Value C . . . . .	26.2%
8 AIC American Focused . . . . .	26.2%
9 Fidelity Focus Financial Servs. . . . .	24.8%
10 Fidelity Focus Natural Res . . . . .	23.7%

### 3 Year Total Return

1 Talvest Global Health Care . . . . .	44.2%
2 Talvest China Plus . . . . .	35.8%
3 Altamira Science & Technology . . . . .	34.1%
4 Talvest Global Small Cap . . . . .	33.4%
5 BPI Global Opportunities . . . . .	31.6%
6 AGF Aggressive Growth . . . . .	27.8%
7 Talvest Global Sci & Tech . . . . .	27.6%
8 CI Global Consumer Products . . . . .	25.0%
9 AIM Global Technology . . . . .	23.3%
10 Elliott & Page US Mid-Cap . . . . .	21.5%

### 5 Year Total Return

1 BPI Global Opportunities . . . . .	36.0%
2 Altamira Science & Technology . . . . .	28.7%
3 Janus American Equity . . . . .	23.8%
4 Orbit World . . . . .	22.2%
5 MB Pooled American Equity . . . . .	21.2% #
6 AGF Aggressive Growth . . . . .	21.0%
7 AGF International Value . . . . .	20.6%
8 BPI American Equity . . . . .	19.7%
9 Fidelity Small Cap America . . . . .	19.5%
10 McLean Budden Amer Eq Growth . . . . .	19.4%

### 10 Year Total Return

1 MB Pooled American Equity . . . . .	18.8% #
2 Signature Amer Small Cos . . . . .	18.0%
3 Spectrum American Growth . . . . .	17.4%
4 TD US Index Fund (\$US) . . . . .	17.3%
5 GBC North American Growth . . . . .	17.0%
6 Trimark Fund . . . . .	16.8%
7 AGF International Value . . . . .	16.7%
8 BPI American Equity . . . . .	16.7%
9 McLean Budden Amer Eq Growth . . . . .	16.6%
10 AGF Amer Growth Class . . . . .	16.5%

### 1 Year Total Return

1 CI Global Technology Sector . . . . .	-64.7%
2 Altamira e-business . . . . .	-60.3%
3 CI Global Telecom Sector . . . . .	-54.3%
4 Mac Univ Wld Science & Tech . . . . .	-52.2%
5 Talvest Global Sci & Tech . . . . .	-51.8%
6 AGF Global Tech Class . . . . .	-51.0%
7 AIM Global Technology . . . . .	-49.4%
8 Spectrum Global Telecomm . . . . .	-49.3%
9 Clarington Globl Communication . . . . .	-48.5%
10 Trimark Discovery . . . . .	-48.3%

### 3 Year Total Return

1 Ethical Pacific Rim . . . . .	-12.2%
2 AGF Latin America . . . . .	-12.0%
3 Clean EnvironmentGlo Equity . . . . .	-7.8%
4 Mac Univ World Emerging Grth . . . . .	-7.3%
5 CI Latin American . . . . .	-7.3%
6 Fidelity Latin American Growth . . . . .	-7.1%
7 Templeton Emerging Markets . . . . .	-7.0%
8 TD Emerging Markets . . . . .	-6.0%
9 Dynamic Real Estate Equity . . . . .	-5.6%
10 CI European . . . . .	-5.6%

### 5 Year Total Return

1 Ethical Pacific Rim . . . . .	-15.2%
2 Mac Universal Far East . . . . .	-10.3%
3 Royal Asian Growth . . . . .	-10.3%
4 AGF Asian Growth Class . . . . .	-9.4%
5 HSBC AsiaPacific . . . . .	-8.6%
6 Talvest Asian . . . . .	-6.4%
7 CI Pacific Sector . . . . .	-5.9%
8 CI Pacific . . . . .	-4.8%
9 TD Asian Growth . . . . .	-4.4%
10 TD Emerging Markets . . . . .	-3.7%

### 10 Year Total Return

1 Royal Japanese Stock . . . . .	0.9%
2 AGF Japan Class . . . . .	2.6%
3 CI Short-Term Sector . . . . .	3.6%
4 CI Pacific Sector . . . . .	3.6%
5 Royal \$US Money Market . . . . .	4.1%
6 Merrill Lynch US Money Mkt . . . . .	4.1%
7 AGF US Dollar Money Market . . . . .	4.3%
8 CI Pacific . . . . .	4.4%
9 Talvest Asian . . . . .	4.6%
10 CI Canadian Sector . . . . .	5.7%

**COMMENTARY**

ScotiaMcLeod would be pleased to provide you with further detailed information on the above mutual funds, however we cannot provide information on the funds marked #. These are historical performance rankings, and are not indicative of future investment performance. When analyzing particular funds, stress longer term performance.

These rankings are not sales advice and ScotiaMcLeod does not recommend simply selling bottom past performance funds and buying top past performance funds. Purchase or redemption fees may be involved. Please call (416) 863-7777 or 1-800-387-9273 for specific recommendations tailored to your individual needs.

\* Increased to 30% effective January 1, 2001  
Important information about any particular fund is contained in its prospectus. You may obtain a copy of the prospectus by calling (416) 863-7777. You should read the prospectus carefully before investing.

## 1 Year Total Return

1 Signature Cdn Resource	47.8%
2 TD Energy	45.0%
3 CI Global Energy RSP	42.4%
4 Royal Energy	41.1%
5 Merrill Lynch Cdn Inc Trust	41.1%
6 Mac Universal Precious Metals	40.3%
7 GGOF Guardian MonthlyHi Inc Cl	39.7%
8 GGOF Guardian MonthlyHiInc	38.9%
9 Middlefield Growth	38.2%
10 Elliott & Page Monthly Hi Inc	33.8%

## 3 Year Total Return

1 StrategicNova Cdn Technology	26.5%
2 Dynamic Venture Opportunities	25.0%
3 Working Opportunity (Balanced)	21.2%
4 Capital Alliance Ventures	14.5%
5 AIM Canadian First Class	14.2%
6 B.E.S.T Discoveries	13.1%
7 Synergy Cdn Momentum	12.9%
8 VenGrowth Fund	12.5%
9 Canadian Sci & Tech Growth	12.2%
10 AIM Canadian Premier	11.8%

## 5 Year Total Return

1 PH&N Dividend Income	23.1%
2 AIC Diversified Canada	19.5%
3 Royal Dividend	17.8%
4 Scotia Cdn Dividend	17.2%
5 AIC Advantage	16.9%
6 MB Pooled Cdn Equity Growth	16.7% #
7 Fidelity Cdn Growth Company	15.9%
8 MAXXUM Dividend	15.5%
9 Working Opportunity (Balanced)	15.5%
10 TD Dividend Growth	15.2%

## 10 Year Total Return

1 AIC Advantage	20.3%
2 Northwest Specialty Equity	17.3%
3 PH&N Dividend Income	16.7%
4 Dynamic Power Canadian Growth	16.5%
5 GBC Canadian Growth	16.3%
6 MAXXUM Dividend	15.5%
7 Altamira Equity	15.4%
8 MB Pooled Cdn Equity Growth	14.6% #
9 PH&N Vintage	14.4%
10 Mawer New Canada	13.8%

## 1 Year Total Return

1 CI Global Technology RSP	-64.7%
2 Altamira RSP e-business	-60.5%
3 CI Global Telecom RSP	-54.5%
4 TD Nasdaq RSP Idx	-52.6%
5 Mac Univ RSP World Sci & Tech	-52.4%
6 TD Nasdaq RSP Idx Fd E	-52.2%
7 Spectrum RRSP Global Telec	-49.7%
8 AIM RSP Global Technology	-49.2%
9 Trimark RSP Discovery Fund	-49.2%
10 Fidelity RSP Focus Technology	-46.9%

## 3 Year Total Return

1 Global Strategy Cdn Small Cap	-14.8%
2 Spectrum Canadian Resource	-13.3%
3 Scotia Precious Metals	-12.6%
4 AGF Canadian Aggressive AllCap	-12.3%
5 Global Strategy Gold Plus	-12.2%
6 Royal Precious Metals	-10.4%
7 StrategicNova Cdn High Y Bond	-9.7%
8 AGF Canadian Aggressive Equity	-9.7%
9 Mac Industrial Growth	-9.3%
10 Dynamic Precious Metals	-8.6%

## 5 Year Total Return

1 Global Strategy Gold Plus	-19.4%
2 Dynamic Precious Metals	-16.4%
3 Scotia Precious Metals	-16.1%
4 Royal Precious Metals	-14.6%
5 TD Precious Metals	-9.8%
6 Mac Universal Precious Metals	-9.4%
7 Industrial Equity	-7.9%
8 Altamira Resource	-7.3%
9 TD AsiaGrowth RSP	-7.2%
10 Signature Explorer	-5.8%

## 10 Year Total Return

1 Working Ventures Canadian	2.0%
2 Dynamic Precious Metals	2.6%
3 Industrial Equity	3.1%
4 Mac Industrial Growth	3.4%
5 TD US Money Mkt (\$US)	4.1%
6 Mac Short-Term	4.1%
7 Merrill Lynch Canadian T-Bill	4.3%
8 AGF Canadian Money Market	4.4%
9 Fidelity Cdn Money Market	4.4%
10 Ethical Money Market	4.5%

### NOTES TO THE PERFORMANCE TABLES

- ScotiaMcLeod is unable to provide information on funds marked #
- Figures are average rates of return for the periods ending Apr. 30, 2001
- Source data from Bell Charts, including over 3800 funds
- Funds with total assets under \$25 million are not included
- Only "totally public" funds are ranked
- RRSP eligible funds are at least 70% Canadian content and can also be held outside RRSPs
- Performance figures include reinvested dividends and management fees have been subtracted
- Non RRSP eligible funds can be held inside a ScotiaMcLeod RRSP to a maximum of 30% of book value

while the grant portion and the earnings or income of the RESP can only be used for educational purposes.

Education Assistance Payments (EAPS) are taxable in the student's hands as income when withdrawn and may be used for tuition, books, lab fees, equipment, accommodation, and even transportation relating to attendance at a qualified program at a recognized post-secondary educational institution. Most full-time post-secondary educational institutions are eligible.

### **Savings Suggestions**

Think you might be short when the time comes to cash out? To help close the gap, we suggest you consider the following additional options for funding your savings:

- Make lump sum annual contributions from bonuses or tax refunds.
- Contribute cash gifts from family, friends and relatives.
- Invest a portion of the children's earnings from part time and summer jobs.
- Consider borrowing to make your contribution and get the government grant.

### **Registered Retirement Savings Plans (RRSPs) vs. RESPs**

Keep in mind that the best tax savings opportunities are in maximizing your RRSP contributions. The return or savings that you would benefit from with the RRSP would be greater than any grant you would receive from the government. This would provide you with the best opportunity to increase your family's net worth. For example, if you are in a 50% tax bracket, you could be looking at getting 50% of your RRSP investment back from the government as opposed to a 20% government grant.

### **Should I open an RESP or a Trust Account?**

For In Trust accounts:

- There are no restrictions on how much can be invested
- There is no penalty should the child not pursue post-secondary studies
- Funds automatically become child's property at age of majority
- Can be used for any purpose beneficiary chooses
- Anyone can contribute

If your RRSP contributions are maximized, an RESP should be your first choice, strictly for the tax sheltering opportunities as well as the grant. A trust account however is a good complement to an RESP if you are looking at saving for education and you have already put in the maximum for your RESP.

### **Scotia Young Investors Fund**

For decades, parents have been buying or wanting to buy their kids shares in Disney or Irwin Toy and other such companies as an investment for school or for the future in general. Since making small investments in stocks can be costly and choices are limited, there is now a great alternative!

In a recent issue we announced a fund that Scotia Funds had recently introduced called the Scotia Young Investors Fund. The mutual fund targets the interests of young people by holding companies that they may have a direct interest in, such as Disney or Nintendo.

Since we announced this fund, we have had quite a few inquiries about who this investment is best suited for. So, we recently contacted the fund managers to find out more details.

The objective of the fund is to earn

above average growth, while maintaining a focus on companies with recognizable brand names and a strong market share. They primarily have been underweighted in telecommunication and technology companies and overweighted in consumer cyclicals.

By investing in equity securities of medium and large companies around the world that affect the lives of children or teenagers, this fund encourages young investors to take an active interest in investing. With a single investment, the Scotia Young Investors Fund gives you and your children a well-diversified portfolio.

As the fund is directly invested in the equity markets, this is a recommended long-term position. Some of the holdings in their portfolio include:

Toys R Us	Sony Corp.
PepsiCo Inc.	Mattel Inc
Walt Disney Co.	WalMart
Honda Motor Co.	Harley Davidson Inc.

The Scotia Young Investors Fund is a great investment for a Registered Education Savings Plan or for 'In Trust' accounts in order to save for a child's education. Since there is no foreign content limit in either RESP's or In Trust accounts this fund is also a good medium of introducing your children to international investing.

## **Need More Information?**

Visit

[www.mutualfundreporter.com/resp](http://www.mutualfundreporter.com/resp)

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and one of the associates

can help you.